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CURRENT ECONOMIC CONDITIONS

Western Massachusetts

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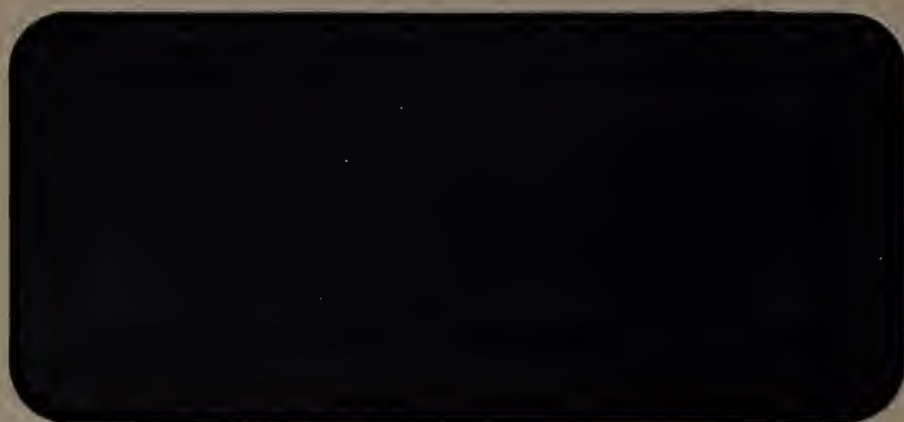
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Prepared For

Western Massachusetts Economic Development Conference

Prepared By

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Introduction & Summary

This working paper summarizes current supply and costs of labor, land and building space in western Massachusetts (particularly Hampden County), as they compare to other regions in southern New England (particularly Hartford County, Connecticut).

The research shows that western Massachusetts business costs (wage rates, land costs, industrial and commercial rents) are typically lower than those found in adjacent regional markets.

Some possible explanations and implications for these facts are presented for the reader's use. These merit further examination before being used for policy purposes.

But the facts, as offered in the accompanying tables and graphs, should be of immediate interest to firms making locational decisions and to Chambers of Commerce and others responding to their requests.

Comparative Wages & Employment

This section compares wage rates and levels of employment in Hampden County, Massachusetts and Hartford County, Connecticut. The comparison indicates that Hampden County relative wages are less than or equal to those in Hartford County in 73 of the 90 sectors or approximately 80% of the cases for which data were available.

There are many possible explanations for this disparity in wages in two counties which share a common border and whose principal cities and employment centers are approximately 30 minutes apart by road. Among them are the following:

1. Labor market conditions in the two counties are such that employers simply need not pay as much for comparable skills in the Massachusetts county as they would (or do) in Connecticut. This could occur if, for example, there were barriers (real or perceived) which made these adjacent counties into two distinct labor markets despite their proximity.
2. The mix of firms in the respective employment sectors are not comparable. Firms grouped for classification purposes into one SIC actually are quite different from one county to the other. They produce a different mix of products requiring different skill levels, leading to different levels of compensation.
3. Employees in a sector in one state may be in a better bargaining position than their counterparts in the other state, either because of union representation or other reasons.

Which of these best fit circumstances in this portion of the Connecticut River Valley? The answer is that, for one sector or another, all of the above explanations apply.

Tables 1 and 2 list the sectors (both manufacturing and service) for which data are available.

Industries or services which have a high locational quotient* in a county generally have higher relative wages. Presumably, skilled labor is in relatively scarce supply and wages are bid up correspondingly.

For example, wages in the chemical industry (SIC 28) and in miscellaneous manufacturing (SIC 39) are both higher in Hampden than in Hartford County. In both cases, there is a substantial concentration of employment and major corporations are dominant employers (Monsanto, Spaulding, Milton and Bradley). In these circumstances, the third explanation listed above for wage disparities (employee bargaining power) appears to be at work.

* A number which indicates how employment in an industry in a region compares with the nation as a whole. A locational quotient greater than one indicates a higher than average concentration of that industry in the region relative to the nation.

TABLE 1 - COMPARATIVE WAGES & EMPLOYMENT

Hampden County, MA and Hartford County, CT, 1980

SIC	INDUSTRY	<u>HAMPDEN COUNTY</u>			<u>HARTFORD COUNTY</u>		
		EMPL.	LQ	WAGE RATE	EMPL.	LQ	WAGE RATE
	TOTAL	175325	1.0	12.2	417083	1.0	15.3
0	Agriculture	285	.5	10.1	716	.7	12.4
1	Construction Total	5308	.8	16.9	17385	1.0	20.6
15	Building Construct.	1414	.9	17.8	0	0.0	0.0
16	Non-Building Const.	273	.2	18.9	4319	1.2	29.8
17	Special Trade Const.	3621	1.0	16.4	9184	1.0	16.9
2	Manufacturing Total	60343	1.1	14.6	138990	.9	18.9
20	Food and Kindred	2049	1.1	14.9	3413	1.0	14.4
22	Textile Products	1509	.7	11.5	472	.2	11.2
23	Apparel	1752	.6	8.9	2275	.6	8.9
24	Lumber and Wood	682	1.5	11.2	800	1.0	13.6
244	Wood Containers	203	3.4	9.9	186	.9	10.4
25	Furniture & Fixtures	359	.6	8.7	757	.5	15.9
26	Paper & Applied	6774	2.9	15.7	1849	.7	19.2
262	Paper Mills	1454	2.9	16.6	0	0.0	0.0
264	Misc. Converted Paper	3906	3.4	15.5	430	.7	15.7
265	Paperboard Container	1433	2.2	15.4	398	.3	12.9
27	Printing & Publishing	5478	1.5	13.3	6327	.8	14.5
271	Newspapers	1448	1.4	13.5	1960	.8	13.2
275	Commercial Printing	1191	1.1	13.8	3137	1.1	16.1
278	Blank Books & Binding	2189	5.3	12.3	81	.2	12.9
279	Print Trade Service	188	1.7	13.0	298	.6	15.3
28	Chemicals & Allied	2954	2.2	21.3	1925	.4	19.4
30	Rubber & Plastics	2996	1.2	12.2	1677	.4	14.2
307	Misc. Plastics	1580	.8	11.1	1650	.5	14.3
32	Stone, Clay & Glass	705	.7	16.0	1135	.5	15.4
329	Misc. Minerals	413	.6	14.9	361	.8	15.2
33	Primary Metals	1633	1.0	14.4	3273	.4	15.6
339	Misc. Primary Metals	0	0.0	0.0	549	1.2	16.4
34	Fabricated Metals	9899	2.4	15.8	20355	1.1	16.2
342	Cutlery, Tools, Hdwre	2341	3.0	15.9	6604	1.4	16.4
344	Fab. Structural Metal	463	.8	17.3	1701	1.1	19.1
345	Screw Machine Prod.	140	.4	17.7	2276	.8	16.1
346	Metal Forge & Stamp	1334	2.1	14.3	2308	1.0	14.6
347	Metal Services	640	1.8	13.4	996	.9	15.4
35	Non-Elect. Machinery	8426	1.1	16.2	29503	1.3	18.4
354	Metalworking Machine	1104	.8	17.9	7906	1.3	18.9
355	Special Ind. Machine	1260	.9	18.4	-	-	-
356	Genl. Ind. Machinery	1308	1.6	16.4	10498	1.7	18.7
357	Office & Comput. Mach	2646	1.1	17.1	0	0.0	0.0
36	Electrical Machines	3254	.4	11.4	9801	.6	15.4
369	Misc. Elec. Equip.	201	.4	10.1	132	.1	11.8
37	Transportation Equip.	2689	1.4	18.2	40613	1.4	22.8
38	Instruments	792	.2	15.3	5046	.6	14.5
39	Misc. Manufacturing	5618	2.6	13.8	1014	.2	12.6
394	Toys & Sporting Goods	4294	7.0	14.0	1019	.2	10.3
399	Misc. Manufacturing	1195	2.0	12.7	4046	.7	10.3

TABLE 1 continued - COMPARATIVE WAGES & EMPLOYMENT

Hampden County, MA and Hartford County, CT, 1980

SIC	INDUSTRY	<u>HAMPDEN COUNTY</u>			<u>HARTFORD COUNTY</u>		
		<u>EMPL.</u>	<u>LQ</u>	<u>WAGE RATE</u>	<u>EMPL.</u>	<u>LQ</u>	<u>WAGE RATE</u>
40	Trans. & Pub. Util.	8363	.9	17.4	17552	.9	18.5
41	Local Pass. Transit	1459	1.2	17.4	1638	.6	7.5
42	Truck & Warehouse	2350	1.1	17.4	5075	1.2	19.9
47	Transport. Services	336	.6	17.4	944	.8	10.8
48	Communication	2323	.8	17.4	3897	.6	19.7
49	Elec., Gas, & Sanit.	1108	1.0	17.4	0	0.0	0.0
50	Trade Total	43166	1.0	9.2	90271	.9	11.0
	Total Wholesale Trade	9059	.9	15.9	25105	1.0	18.1
506	Electrical Goods	431	.5	15.8	2149	1.0	19.8
508	Machinery Equip.	2011	.9	17.7	7075	1.4	20.6
	Total Retail Trade	34107	1.0	7.5	65166	.9	8.3
52	Building & Garden	1056	1.3	11.5	0	0.0	0.0
53	General Merchandise	4886	1.3	7.0	7921	.9	6.7
54	Food Stores	5991	1.0	6.5	10303	.9	7.7
55	Automotive & Service	3372	1.1	10.7	6680	.8	11.8
56	Apparel & Accessories	2048	1.0	6.7	3983	.8	7.1
57	Furniture & Furnishing	1125	1.0	9.6	2376	.8	10.6
58	Eating & Drinking	9471	1.0	4.6	19042	1.0	5.3
59	Misc. Retail	4587	.9	7.7	8432	.8	9.3
6	F I R E	17987	1.5	14.6	62410	1.8	16.9
60	Banking	3179	.9	10.8	8494	1.0	12.0
61	Credit Agencies	716	.9	12.8	1993	.9	13.8
62	Security & Commodity	184	.4	38.5	980	1.3	31.4
63	Insurance Carriers	10943	2.6	16.0	43970	2.6	18.0
64	Ins. Agents & Brokers	1087	.8	14.2	2216	1.1	17.6
65	Real Estate	1039	.7	9.2	2981	.8	11.3
67	Holding & Investment	409	1.5	12.8	638	1.1	18.5
7	Services	39873	.8	9.1	88055	1.0	11.4
70	Hotels & Lodging	1226	.7	5.1	2718	1.1	6.7
72	Personal Services	2252	1.1	6.9	4490	.9	7.6
73	Business Services	5294	.6	6.7	20460	1.2	12.4
75	Auto Repair Services	1120	1.0	10.4	2858	1.1	11.6
76	Misc. Repair Services	685	1.4	15.0	1481	1.0	15.1
762	Electrical Repair	171	1.2	13.0	576	1.3	15.6
78	Motion Pictures	313	.9	6.5	442	.7	5.2
79	Amusement & Recreation	1105	.9	8.5	3264	1.0	7.3
80	Health Services	14644	.9	12.1	29106	.9	12.9
807	Medical & Dental Lab	131	.6	10.6	320	.7	11.1
81	Legal Services	766	.7	13.9	2501	1.0	15.7
82	Educational Services	4107	.5	5.7	6274	.6	8.8
86	Membership Organizat.	3758	1.6	5.3	5760	1.0	7.4
89	Misc. Services	1160	.4	16.6	3303	1.0	18.2
891	Engineer & Archit Serv	629	.4	19.2	-	-	-

Source: Regional Science Research Institute

TABLE 2 - COMPARATIVE WAGES & EMPLOYMENT

Industries in which Hampden County has Higher Relative Wages

<u>SIC</u>	<u>INDUSTRY</u>	<u>HAMPDEN COUNTY</u>		<u>HARTFORD COUNTY</u>	
		<u>EMPLOYMENT</u>	<u>WAGE*</u>	<u>EMPLOYMENT</u>	<u>WAGE*</u>
20	Food	2049	\$ 14.9	3413	\$ 14.4
22	Textiles	1509	11.5	472	11.2
265	Paperboard	1433	15.4	398	12.9
271	Newspapers	1448	13.5	1960	13.2
28	Chemicals	2954	21.3	1925	19.4
32	Stone, Clay, Glass	705	16.0	1135	15.4
345	Screw Machine Products	140	17.7	2276	16.1
38	Instruments	792	15.3	5046	14.5
39	Misc. Manufacturing	5618	13.8	1014	12.6
394	Toys & Sporting Goods	4294	14.0	99	10.3
399	Misc. Manufacturing	1195	12.7	393	10.3
47	Transportation Services	336	17.4	944	10.8
53	General Merchandise	4886	7.0	7921	6.7
62	Security & Community	184	18.8	638	18.5
78	Motion Pictures	313	6.5	442	5.2
79	Amusement & Recreation	1105	8.5	3264	7.3

* Wages are annual and in Thousands of Dollars (1980)

In the instruments sector (SIC), Hampden County wages are also relatively high. This occurs despite an extremely low locational quotient (0.2).

This sector is a possible illustration of the explanation that firms in Hampden County, at that time, were more highly specialized than the norm in the industry (explanation #2 above).

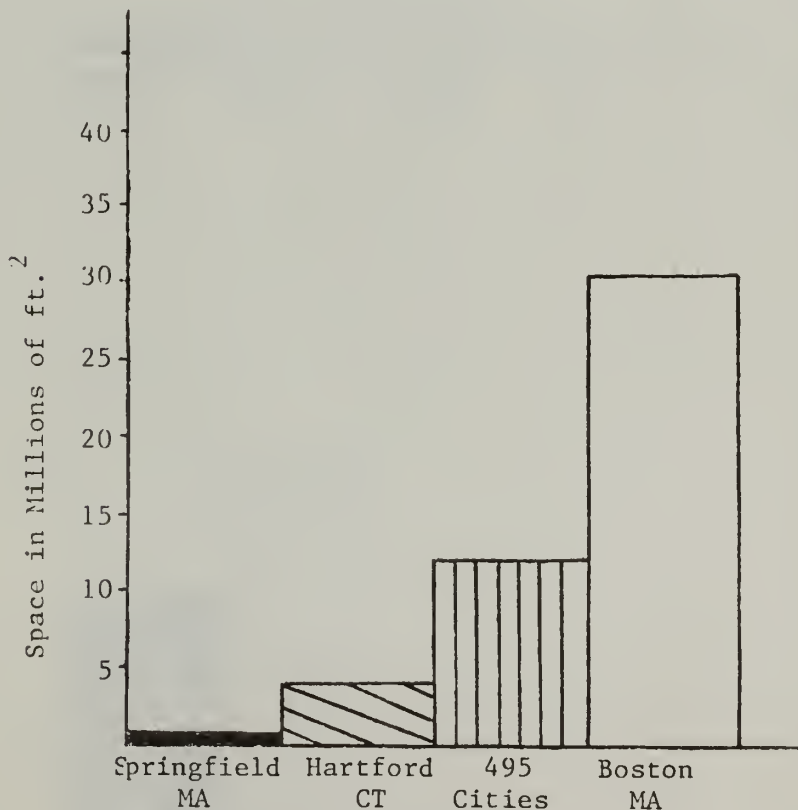
But with the preponderance of evidence showing higher wages in Hartford than Hampden, regardless of locational quotient, neither bargaining power nor skill levels seem adequate explanations. The most likely explanation is that for a combination of reasons, Hartford County, Connecticut and Hampden County, Massachusetts are quite different places in the minds of their residents and thus distinct labor markets. Certainly, the state boundary line encourages this thinking.

Explanations for wage variation merit case by case analysis before one determines that the industry could benefit from relocation to the lower wage area. But, the principal conclusion from this brief analysis is that there are good reasons to believe a wage differential does exist and that there seem to be several opportunities for western Massachusetts to capitalize on this locational advantage in the years to come.

Buildings & Land

The data presented here compare space availability, rental rates, sale prices, vacancy rates and office space absorption rates* for Hampden County, Mass.; Hartford County, Conn.; Boston, and other cities experiencing growth in Massachusetts and Connecticut. Little information was found concerning Berkshire, Franklin and Hampshire Counties, Mass. The New England Real Estate Directory (Volume II and III, 1983) was the source for this report.

The data show building and land availability in the large urban area (Boston) and its growing suburban area (the Route 495 growth cities), a medium size urban area experiencing suburban growth (Hartford) and a small urban area yet to see significant outward growth (Springfield in Hampden County).

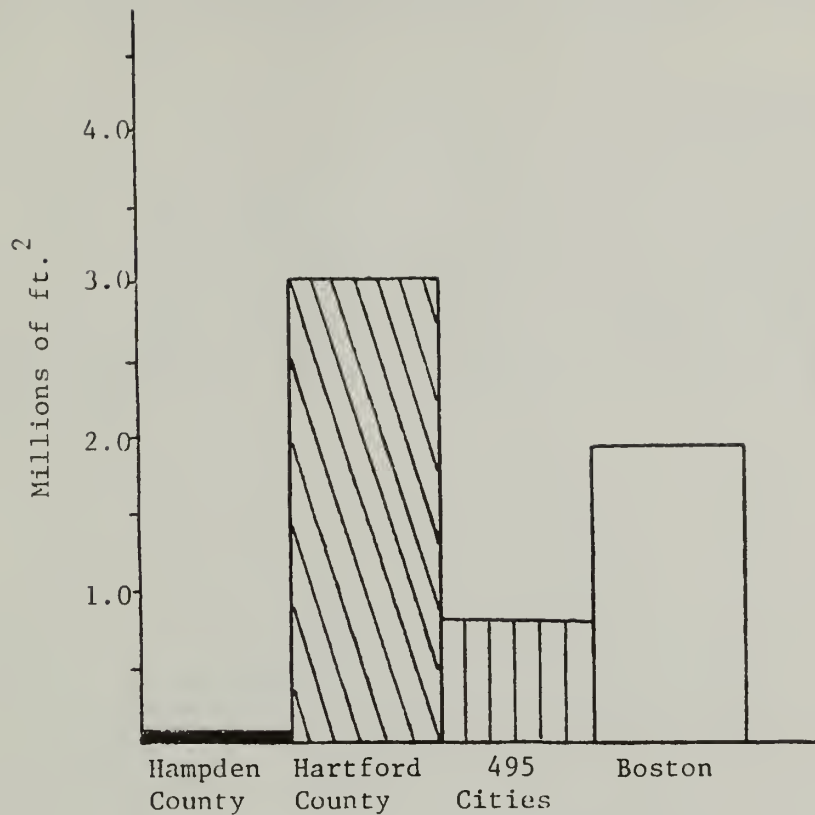


Graph 1

Office Space Currently Available in Springfield, Hartford, 495 Cities & Boston

CED, 8/83

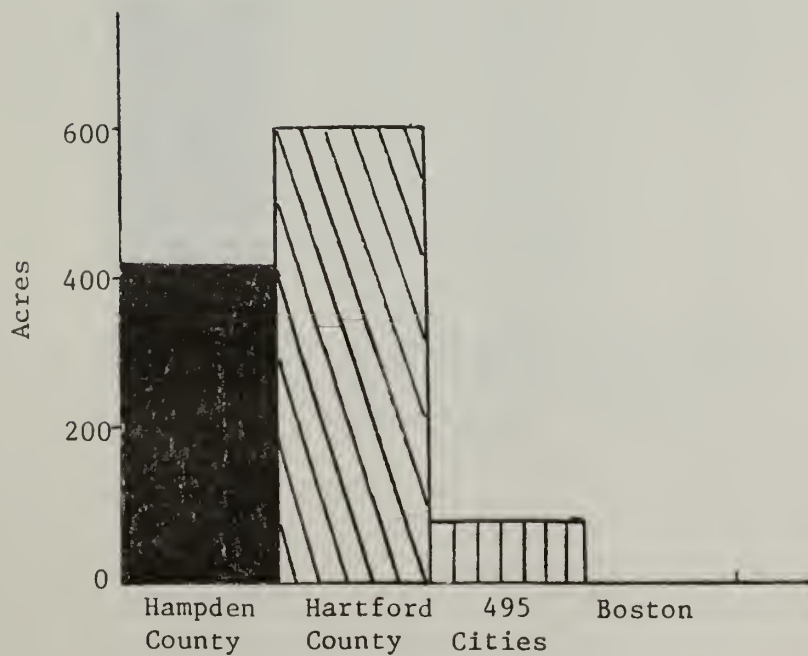
* The proportion of total supply which has been rented in the previous twelve month period.



Graph 2

Industrial Space
Currently Available
in Hampden Co.,
Hartford Co.,
495 Cities & Boston

CED, 8/83



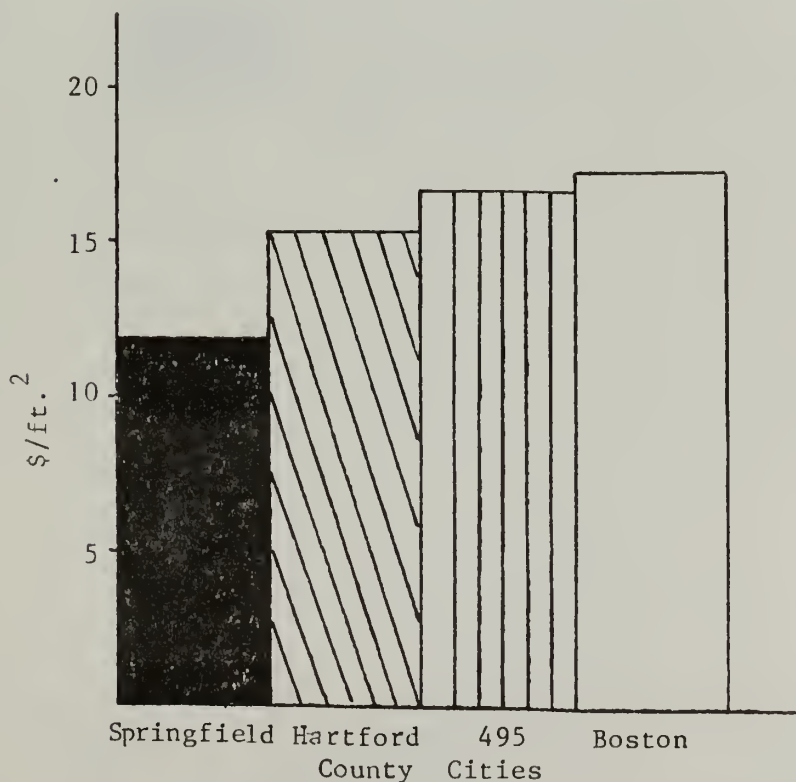
Graph 3

Industrial Land
Currently Available
in Hampden County,
Hartford County,
495 Cities & Boston

CED, 8/83

Graphs 1, 2 and 3 demonstrate Springfield's relatively small amount of available office and industrial spaces, along with its large supply of available land when compared to larger markets.

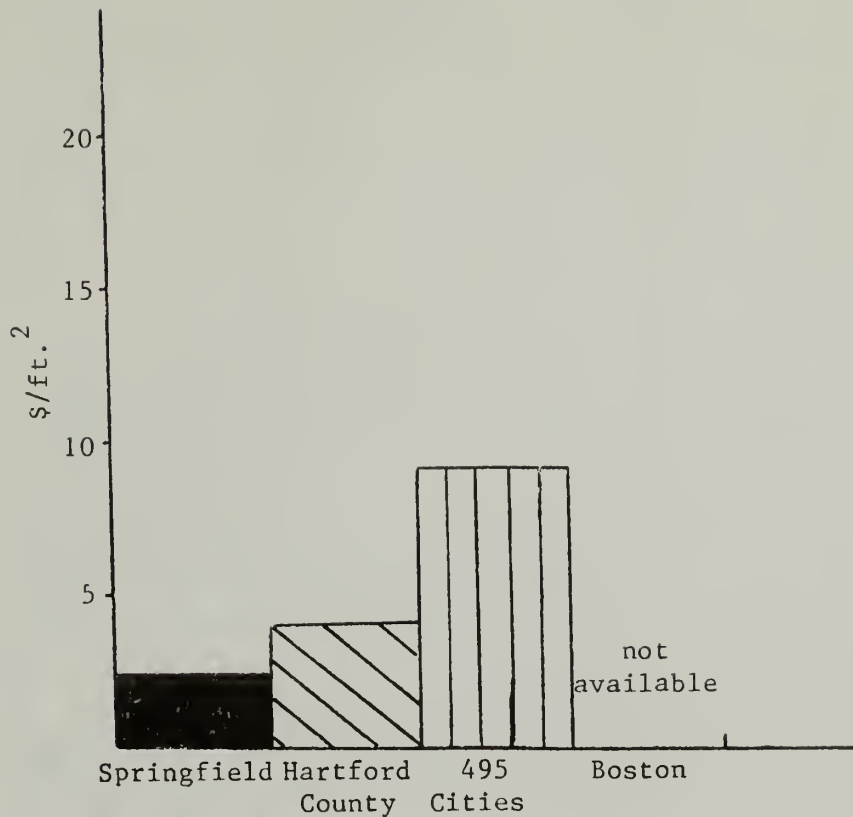
But the data also suggest some weak points in Springfield's office building market. Though our source for this information (The New England Real Estate Directory) does have a minimum listing size of 10,000 sq. ft. and is perhaps not complete, it is worth noting that Springfield's 28% vacancy rate, though comparable to Worcester and some Connecticut areas, was significantly higher than both nearby Hartford and the Boston area. Furthermore, coupled with a 28% vacancy rate, Springfield's 4% absorption rate suggests that excess stock is being rented very slowly. This is especially evident when compared to the city of Hartford's absorption rate of 21.4%.



Graph 4

Current Average
Rental Rates for
Office Space in
Dollars/Sq. ft.

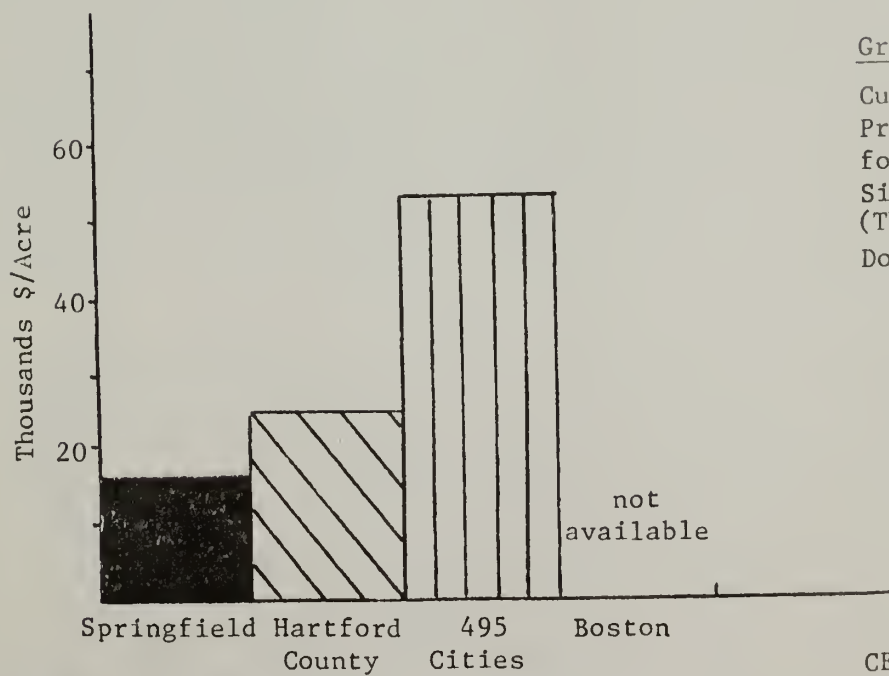
CED, 8/83



Graph 5

Current Average
Rental Rates for
Industrial Buildings
(Dollars/Sq. ft.)

CED, 8/83



Graph 6

Current Average
Price per Acre
for Industrial
Site Land
(Thousands of
Dollars/Acre)

CED, 8/83

TABLE 3 - OFFICE SPACE IN MASSACHUSETTS & CONNECTICUT
(Selected Locations)

AREA	Total # Buildings	Existing Space Currently Available (ft ²)	Vacancy Rate	Average Gross Rent/ft ²	Average Net ² Rent/ft ²	Absorption Rate	New Buildings Available Fall, 1983 - 85 ² # Buildings
Springfield	17	1,336,000	28.0%	\$11.80	\$10.50	4.0%	-
Holyoke	3	31,500	-	\$11.67	-	-	-
Pittsfield	5	73,000	-	\$ 6.20	-	-	-
Boston	208	30,767,586	5.0%	\$18.51	\$16.30	3.0%	14 5,034,732
MA Rt. 495 Growth Cities*	232	12,278,130	12.0%	\$16.71	\$12.00	8.3%	12 1,257,400
Worcester	28	2,269,150	25.0%	\$ 9.75	\$ 9.20	0.7%	2 70,800
Hartford	42	4,353,886	11.5%	\$15.51	\$13.94	21.4%	5 2,259,000
New Haven	8	569,040	38.9%	\$13.22	-	19.5%	2 180,000
CT Growth Cities**	166	8,104,586	25.7%	\$19.09	\$17.01	41.9%	18 1,445,721

* MA Growth Cities include Bedford, Burlington, Framingham, Lexington, Newton, Waltham, Wellesley and Woburn.

** CT Growth Cities include Danbury, Greenwich, Meriden, Norwalk, W. Hartford, Westport and Windsor.

TABLE 4 - INDUSTRIAL SPACE IN MASSACHUSETTS & CONNECTICUT
(Selected Locations)

LOCATION	Number of Listings ¹	Sq. Ft. Listed	BUILDING RENTALS		
			Rental Rates(\$/Sq. Ft.)		
			Average	High	Low
<u>MA -</u>					
HAMPDEN COUNTY	4	143,600	2.36	3.00	1.75
- Springfield	2	61,000	2.37	3.00	1.75
- E. Longmeadow	1	2,600	2.95	-	-
- Ludow	1	80,000	1.75	-	-
HAMPSHIRE COUNTY	0	-0-	-	-	-
FRANKLIN COUNTY	0	-0-	-	-	-
BERKSHIRE COUNTY	0	-0-	-	-	-
Boston	26	1,949,858	-	-	-
<u>EASTERN GROWTH CITIES²</u>					
- Chelmsford	3	96,200	12.48	30.00	6.00
- Hopkinton	3	171,668	5.60	6.00	5.00
- Marlborough	5	393,100	5.97	9.50	4.25
- Westborough	4	142,039	11.55	13.00	8.50
HARTFORD COUNTY, CT	44	3,323,806	3.98	14.00	2.25

¹ From New England Real Estate Directory, Volume II and III, 1983, Listed only if rental rates given.

² From New England Real Estate Directory, Volume II, 1983, p. 87.

TABLE 5 - INDUSTRIAL LAND IN MASSACHUSETTS & CONNECTICUT
(Selected Locations)

LAND FOR SALE					
LOCATION	Number of Listings ²	Acres Listed	Dollars per Acre		
			Average	High	Low
MA					
HAMPDEN COUNTY	6	419	16,610	33,000	857
- Agawam	1	305	20,000	-	-
- Chicopee	1	35	857	-	-
- E. Longmeadow	1	23	17,500	-	-
- Springfield	2	53	24,000	33,000	13,300
- Westfield	1	3	13,300	-	-
HAMPSHIRE COUNTY	0	0	-	-	-
BERKSHIRE COUNTY	0	0	-	-	-
FRANKLIN COUNTY	1	75	11,000	-	-
- Orange	1	75	11,000	-	-
SUFFOLK COUNTY					
- Boston	0	0	-	-	-
Growth Cities ³ :					
- Marlborough	1	6	50,000	-	-
- Westborough	2	72	55,000	-	-
CT					
HARTFORD COUNTY	11	600	24,636	62,275	5,081

¹ From New England Real Estate Directory, Volume II and III, 1983. Listed only if price given.

² From New England Real Estate Directory, Volume II, 1983, p. 87.

Source: New England Real Estate Directory

Of the areas included in Tables 3, 4 and 5 (excluding Worcester) western Massachusetts offered the lowest rental and purchase rates. Graphs 4, 5 and 6 show these significant differences. (The Directory gave no rates for Boston's building and land listings, but they are presumably higher than the Route 495 area.)

In summary, western Massachusetts offers a limited amount of office and industrial space, but a significant amount of land available for industrial development. In western Massachusetts, Berkshire, Franklin and Hampshire Counties have only a small proportion of total available buildings and land. In this respect, Hampden County is the most likely area for major development to occur.

The information also indicates that the growing Hartford County area furnishes competition for businesses who want to locate in western Massachusetts. Though the costs of acquiring space are greater, there are more buildings and sites to choose from in Connecticut than in western Massachusetts.

The Springfield and western Massachusetts markets appear ready to meet the needs of commercial and industrial firms looking to expand or relocate. Office space and industrial land are available at prices which are quite attractive compared to elsewhere in southern New England. The rates are, on the whole, the lowest of all market areas surveyed. At the present time however, an expansion of any size has yet to begin.

